

January 17, 2008

To: Members of the 2008 General Assembly

From: Iowa Department of Economic Development & Iowa Department of Revenue

RE: Report on Sales Tax Rebate Pilot Project

This report is submitted to fulfill Iowa Code Section 423.4 regarding a joint report from the Department of Economic Development and the Department of Revenue regarding the Sales Tax Rebate Pilot program.

History

In 2005, the Iowa Legislature and Governor Vilsack approved House File 840. This legislation allowed the owner or operator of a sanctioned racetrack facility to receive a rebate of the state sales taxes generated from the facility from January 1, 2006 through December 31, 2015. The legislation established the rebate as a pilot project.

To date, the Iowa Speedway in Newton has been the only facility to qualify for and participate in this program.

Project Status

The Iowa Speedway opened in September 2006. As the facility has been open only slightly over one year, it is somewhat difficult to evaluate the impact of the sales tax rebate. Generally, it takes several years at the minimum and more likely at least five years for new developments to mature and have any noticeable impact on the economy.

While a rebate of sales taxes are beneficial to attractions such as the Iowa Speedway, these funds are only available after an attraction is operating and generating revenue. In many cases, new attractions are in need of funds early in the development of the project that can be used for construction and development costs. Direct financial assistance, such as funding through the Vision Iowa and Community Attraction and Tourism Programs, would likely be more useful to these attractions.

Direct financial assistance through an appropriation would also allow the State to budget a certain amount of funds for these types of projects. The amount of funds to be generated for projects through sales tax rebates may be difficult to estimate, since the amount is based on actual sales once in operation.

Another problem with estimating the fiscal impact of a sales tax rebate is depending on the type of attraction and its location in the State a significant share of the sales tax attributed to the new facility may be due to sales captured from other businesses already located in the State.

Attached is the compiled historical taxable sales statistics for the City of Newton and Jasper County from calendar year 2000 to 2006.

Newton Speedway Sales Tax Refund

Newton Race Track Sales Tax Refunds-From IRIS

Status	Tax Period	Cnty No.	Gross Sales	Goods Consumed	Exempt Sales	Taxable Sales
Final	20050331	50	\$0	\$0	\$0	\$0
Final	20050630	50	\$3,607	\$0	\$0	\$3,607
Final	20050930	50	\$6,462	\$7,997	\$5,022	\$9,437
Final	20051231	50	\$92	\$593	\$0	\$685
Final	20060331	50	\$620,678	\$300	\$39,580	\$581,398
Final	20060630	50	\$1,299,435	\$0	\$0	\$1,299,435
Final	20060930	50	\$2,872,520	\$167,544	\$0	\$3,040,064
Final	20061231	50	\$2,407,433	\$2,144	\$0	\$2,409,577
Final	20070331	50	\$1,564,520	\$10,154	\$0	\$1,574,674
Final	20070630	50	\$3,826,885	\$0	\$0	\$3,826,885
Review	20070930	50	\$2,029,880	\$0	\$0	\$2,029,880
			\$14,631,512	\$188,732	\$44,602	\$14,775,642

Fiscal Year Tax Refunds for Newton Race Track-Calculated From IRIS

FY2005	\$180
FY 2006	\$94,548
FY 2007	\$542,560
FYTD 2008	\$101,494

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Retail Sales Tax	LOST	SILO
\$0	\$0	\$0
\$180	\$0	\$36
\$472	\$0	\$14
\$34	\$0	\$7
\$29,070	\$0	\$5,814
\$64,972	\$0	\$12,994
\$152,003	\$28,772	\$28,772
\$120,479	\$24,096	\$24,096
\$78,734	\$15,645	\$15,645
\$191,344	\$38,269	\$38,269
\$101,494	\$20,299	\$20,299
\$738,782	\$127,081	\$145,946

Comparison of Taxable Sales

Business Group	City of Jackson		
	2000	2001	2002
Utilities & Transportation	58,892,783	102,629,539	106,333,736
Building Materials	7,048,655	7,662,869	8,047,361
General Merchandise	34,813,224	36,051,254	36,661,751
Food Dealers	10,921,417	10,539,546	10,707,756
Motor Vehicles	7,101,764	8,287,435	8,285,513
Apparel	2,049,018	1,763,115	2,003,283
Home Furnishings	11,589,196	9,707,653	10,814,459
Eating & Drinking Places	19,263,582	20,214,165	19,526,035
Specialty Retail	13,622,041	13,461,324	15,133,669
Other	45,117,877	46,153,614	51,844,206
All Groups	210,419,557	256,470,514	269,357,769
excluding Utilities, Transp & Other	106,408,897	107,687,361	111,179,827
% Chg excl Utilities, Transp & Other		1.20%	3.24%

Business Group	Jackson County		
	2000	2001	2002
Utilities & Transportation	62,191,092	105,959,452	109,519,691
Building Materials	11,853,525	12,560,298	13,078,445
General Merchandise	39,885,246	41,040,886	41,377,265
Food Dealers	12,838,967	12,356,774	13,075,509
Motor Vehicles	12,752,693	14,230,932	13,800,136
Apparel	2,050,003	1,799,851	2,045,968
Home Furnishings	12,142,379	10,151,385	11,235,198
Eating & Drinking Places	21,670,683	23,130,108	23,802,626
Specialty Retail	16,305,249	16,376,052	18,839,741
Other	84,976,125	85,522,694	91,027,823
All Groups	276,665,962	323,128,432	337,802,402
excluding Utilities, Transp, & Other	129,498,745	131,646,286	137,254,888
% Chg excl Utilities, Transp & Other		1.66%	4.26%

Business Group	State of Tennessee		
	2000	2001	2002
Utilities & Transportation	5,030,298,632	4,989,115,071	4,500,888,573
Building Materials	1,941,260,923	2,003,734,233	2,114,968,754
General Merchandise	4,374,265,305	4,604,189,768	4,774,665,904
Food Dealers	1,250,188,826	1,271,771,472	1,332,516,104
Motor Vehicles	1,491,206,538	1,765,803,038	1,572,844,389
Apparel	935,628,331	728,676,616	732,481,751
Home Furnishings	1,336,520,637	1,297,231,789	1,311,106,003

Eating & Drinking Places	2,583,407,115	2,564,929,969	2,631,943,450
Specialty Retail	2,556,118,847	2,464,134,853	2,507,554,917
Other	11,448,722,277	11,320,811,227	11,323,041,690
All Groups	32,947,617,431	33,010,398,036	32,802,011,535
excluding Utilities, Transp, & Other	16,468,596,522	16,700,471,738	16,978,081,272
% Chg excl Utilities, Transp & Other		1.41%	1.66%

ales for Newton, Jasper County and Iowa

y of Newton Taxable Sales

2003	2004	2005	2006	March and Ju 2006
105,158,428	108,347,113	107,063,916	106,511,533	\$55,482,003
8,361,292	8,110,914	7,298,392	6,883,593	\$3,268,962
37,477,328	37,417,808	36,865,410	38,241,671	\$18,047,189
11,500,538	11,677,499	11,326,886	11,655,224	\$5,664,393
9,169,195	9,396,282	9,773,317	9,886,322	\$4,918,877
1,379,944	1,473,008	1,271,807	1,153,076	\$607,114
11,670,042	10,117,853	11,082,544	9,522,508	\$5,240,144
19,430,574	19,442,639	19,047,400	19,219,238	\$9,588,091
14,165,927	13,661,527	12,646,851	14,833,612	\$7,620,351
48,244,010	48,661,561	49,478,601	54,496,769	\$30,444,163
266,557,278	268,306,204	265,855,124	272,403,546	\$140,881,287
113,154,840	111,297,530	109,312,607	111,395,244	\$54,955,121
1.78%	-1.64%	-1.78%	1.91%	

sper County Taxable Sales

2003	2004	2005	2006	March and Ju 2006
108,312,020	111,236,133	110,101,431	109,466,064	\$56,974,755
14,119,472	13,719,058	13,157,135	12,884,065	\$6,288,738
41,633,113	42,253,804	41,817,442	43,411,748	\$20,504,399
13,515,127	13,358,618	13,143,484	13,613,206	\$6,605,457
13,586,302	14,758,027	14,871,743	16,851,983	\$8,878,146
1,438,763	1,564,189	1,374,338	1,315,503	\$694,595
12,066,374	10,419,650	11,334,924	9,799,693	\$5,377,627
23,888,035	24,142,640	23,700,743	23,897,601	\$11,881,470
18,826,589	17,361,892	16,636,955	18,510,939	\$9,624,732
85,345,606	84,517,706	83,347,352	86,152,084	\$46,216,395
332,731,401	333,331,717	329,485,547	335,902,886	\$173,046,314
139,073,775	137,577,878	136,036,764	140,284,738	\$69,855,164
1.33%	-1.08%	-1.12%	3.12%	

ate of Iowa Taxable Sales

2003	2004	2005	2006	March and Ju 2006
4,536,741,221	4,213,370,168	4,221,912,816	4,108,511,533	\$2,077,109,540
2,261,603,434	2,460,170,350	2,586,928,467	2,649,447,183	\$1,298,716,720
4,787,677,207	4,977,846,571	4,988,162,536	5,249,873,559	\$2,394,718,635
1,361,292,611	1,403,922,305	1,465,304,445	1,550,144,181	\$741,875,353
1,641,074,623	1,694,499,389	1,751,464,576	1,767,344,737	\$870,544,169
737,767,553	781,858,636	830,752,765	861,963,414	\$391,965,370
1,372,915,878	1,486,550,829	1,547,570,844	1,563,872,220	\$753,695,679

2,697,286,990	2,854,419,432	2,959,145,938	3,127,682,438	\$1,529,691,803
2,612,448,830	2,724,886,871	2,834,016,991	2,995,249,466	\$1,432,608,754
11,440,738,727	11,749,284,186	12,462,231,690	13,032,355,200	<u>\$6,208,816,629</u>
33,449,547,074	34,346,808,737	35,647,491,068	36,906,443,931	\$17,699,742,652
17,472,067,126	18,384,154,383	18,963,346,562	19,765,577,198	\$9,413,816,483
2.91%	5.22%	3.15%	4.23%	

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2007

\$54,955,101
\$3,309,414
\$18,832,550
\$5,614,424
\$4,468,960
\$612,631
\$2,938,479
\$9,097,099
\$5,811,018
\$32,376,107

\$138,015,783
\$50,684,575
-7.77%

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2007

\$56,505,753
\$5,392,146
\$21,445,746
\$6,771,252
\$8,314,583
\$727,965
\$3,088,793
\$11,406,007
\$7,478,414
\$48,369,265

\$169,499,924
\$64,624,906
-7.49%

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2007

\$2,156,122,674
\$1,236,398,805
\$2,504,693,858
\$766,596,698
\$920,543,481
\$419,736,770
\$768,171,029

\$1,583,278,047
\$1,461,899,945
\$6,346,395,564

\$18,163,836,871
\$9,661,318,633
2.63%